

HIGHWAY CONSTRUCTION PROGRAM DELIVERY REPORT

BRIEFING PAPER

Prepared for the
July 2002 TRANSPORTATION COMMISSION MEETING

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PURPOSE:

Provide the Commission with a status report of the Highway Construction Program and to communicate staff concerns regarding current expenditure levels.

ACTION/OUTCOME:

Increased awareness of the overall status of the Highway Construction Program and a thorough understanding of the action plan developed to address these concerns.

BACKGROUND:

The Highway Construction Program is a capital construction program that provides for the preservation and improvement of the state highway system. This program is the largest component of the two-year budget that is developed by the Commission. The current size of this program, as measured in dollars, is over \$1.4 billion for the 01-03 biennium.

The Highway Construction Program typically has four to five hundred projects going at any one time. These projects include preliminary engineering, right of way acquisition and construction. This program is very dynamic and requires aggressive management in order to maximize the delivery of projects.

Program delivery measures of projects to advertisement and cash flow are the primary indicators of delivery. We use these measures to forecast and time the starting of new projects to maximize the delivery of projects and the overall program.

DISCUSSION:

Through May of 2002, expenditures in the Highway Construction Improvement Programs are running at a rate greater than 50%. This is shown in the table below:

HIGHWAY CONSTRUCTION IMPROVEMENT PROGRAMS

Progress Through May 2002

Dollars in Millions

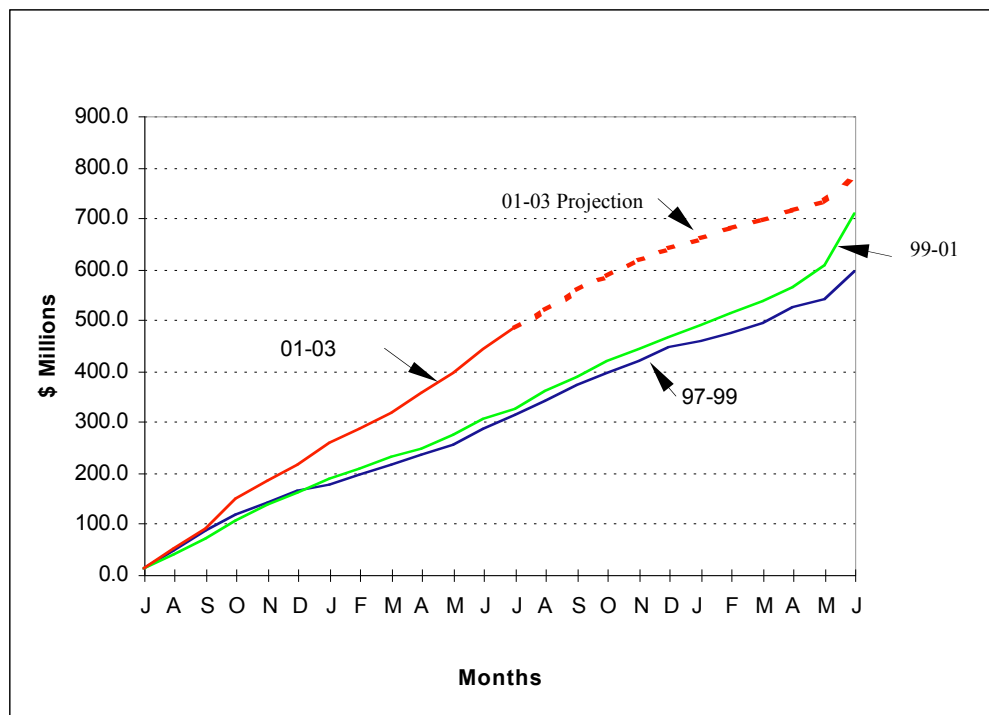
Programs	Current Allocations	Biennial Expenditures To Date	
I1 – Mobility Improvements	\$449.8	\$246.5	55%
I2 – Safety Improvements	\$140.3	\$73.2	52%
I3 – Economic Initiatives	\$120.6	\$64.5	53%
I4 – Environmental Retrofit	\$26.1	\$10.7	41%
Totals	\$736.8	\$394.9	54%

The key element gained from this table is the high expenditure rate. With less than a year into the biennium, we have used over half of our available allocation. Along with the current biennium expenditure rate, it is important to provide a historical perspective to this issue. Shown below is a chart, which illustrates this historical perspective.

HIGHWAY CONSTRUCTION IMPROVEMENT PROGRAMS

Biennial Expenditure History for Current Biennium (2001-03)

And two Most Recent Biennia (1997-99 & 1999-2001)



This chart effectively illustrates the “burn rate” in the Highway Construction Program Expenditures for the current biennium. In previous biennia, we have started slower and have then accelerated towards the end of the biennium to “catch-up.” The data shows us that we have in fact been quicker out of the gate with our expenditures.

This is both a good news story and an area of concern. The good news is that we are expending dollars to effectively deliver the program. The area of concern is that we need to make sure that we do not over-expend the allocations. If we do not address this issue and continue on the current trend, we could be faced with exceeding the legislative appropriation.

We are bringing this to your attention so that you are aware of this issue and are also aware that we have developed an action plan to insure that we manage expenditures to the allocation. By taking this type of approach, we can mitigate the need to take drastic steps later in the biennium to slow expenditures, which might include the deferral of future new start projects within the biennium.

Key elements of this action plan include the following:

- **Reality Check** - Go through every project phase in the current biennium to make sure that the project is on track and that the expenditure plan matches current project reality.
- **Identify Any and All Projected Cost Overruns or Scope Changes** - Each Project Manager to conduct a comprehensive review of all projects to make sure that we have identified any changes; current or projected.
- **Identify Available Funds on Completed or Near Completed Projects** - Each Project Manager identify project funds available on work orders that are complete or near completion. This is a “house-keeping” issue that may help identify available funds.
- **Monitoring** - Consistent with past practice, every month between now and the end of the biennium, we would conduct a monthly review of the program. This review would include expenditures, changes and impacts.
- **“What-If” Deferral List** - As a last resort, we would develop a what-if deferral list. This list would be used to communicate recommendations for action to the Commission.

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